

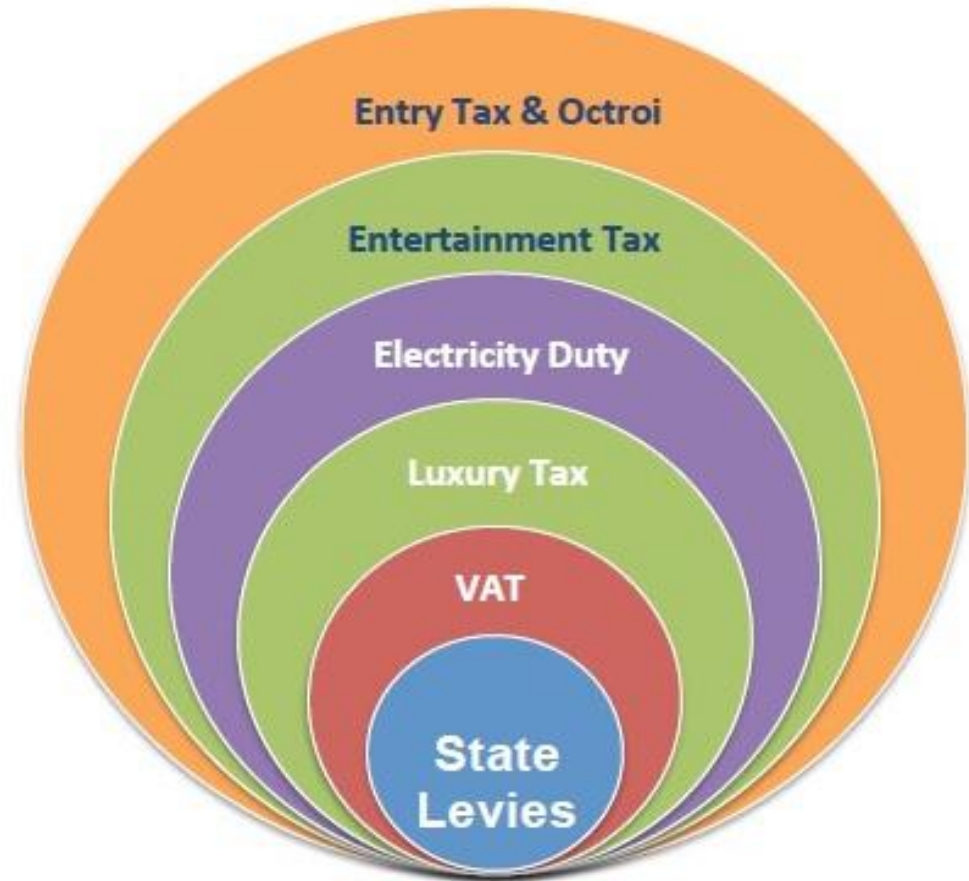
# GST

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**GOODS AND SERVICES TAX**

By:  
CA Sunnay

# Existing Indirect Tax Structure



# What is Goods and Services Tax? Article 366 (12A)

- Tax on supply of goods or services or both.
- Except on supply of alcoholic liquor for human consumption.
- But includes stock transfers, branch transfers and free supplies.
- It is consumption based tax and is based on vat system of allowing input tax credit on payment of output tax.

# GST – FEATURES....

- Destination-based Consumption Taxation
- Applies to all supplies of goods / services (as against manufacture, sale or provision of service) made for a consideration except –
  - Exempted goods / services – common list for CGST & SGST
  - Goods / services outside the purview of GST
  - Transactions below threshold limits

- GST Rates – based on RNR : Four rates –
  - Merit rate - essential goods or services
  - Standard rate - goods or services in general
  - Special rate - precious metals
  - Nil rate - exempted goods or services
- Floor rate with a small band of rates for standard rated goods / services for CGST & SGST
- Optional Threshold exemption in both components of GST
- The Slab rates are 5%,12%,18% and 28%
- The GST Council has kept cap of 15% Cess likely on aerated drinks and luxury cars.

The income tax expert was visiting the school to talk about taxes. "I'm going to tell you now about 'indirect' taxes. Can anybody tell me what an indirect tax is?"

"A dog license," said Smart Josh.

"And why is that?" asked the expert.

"The dog doesn't pay it," replied Josh.



**There are three basic components of GST:**

- Central GST (CGST)
- State GST (SGST)
- Integrated GST (IGST)

## CGST

- CGST on supply of goods or services or both will be charged for within the state transactions.
- Tax revenue is meant for Central Government and tax rates will be common all over India.
- The expected rate of CGST is around 9%.

## SGST

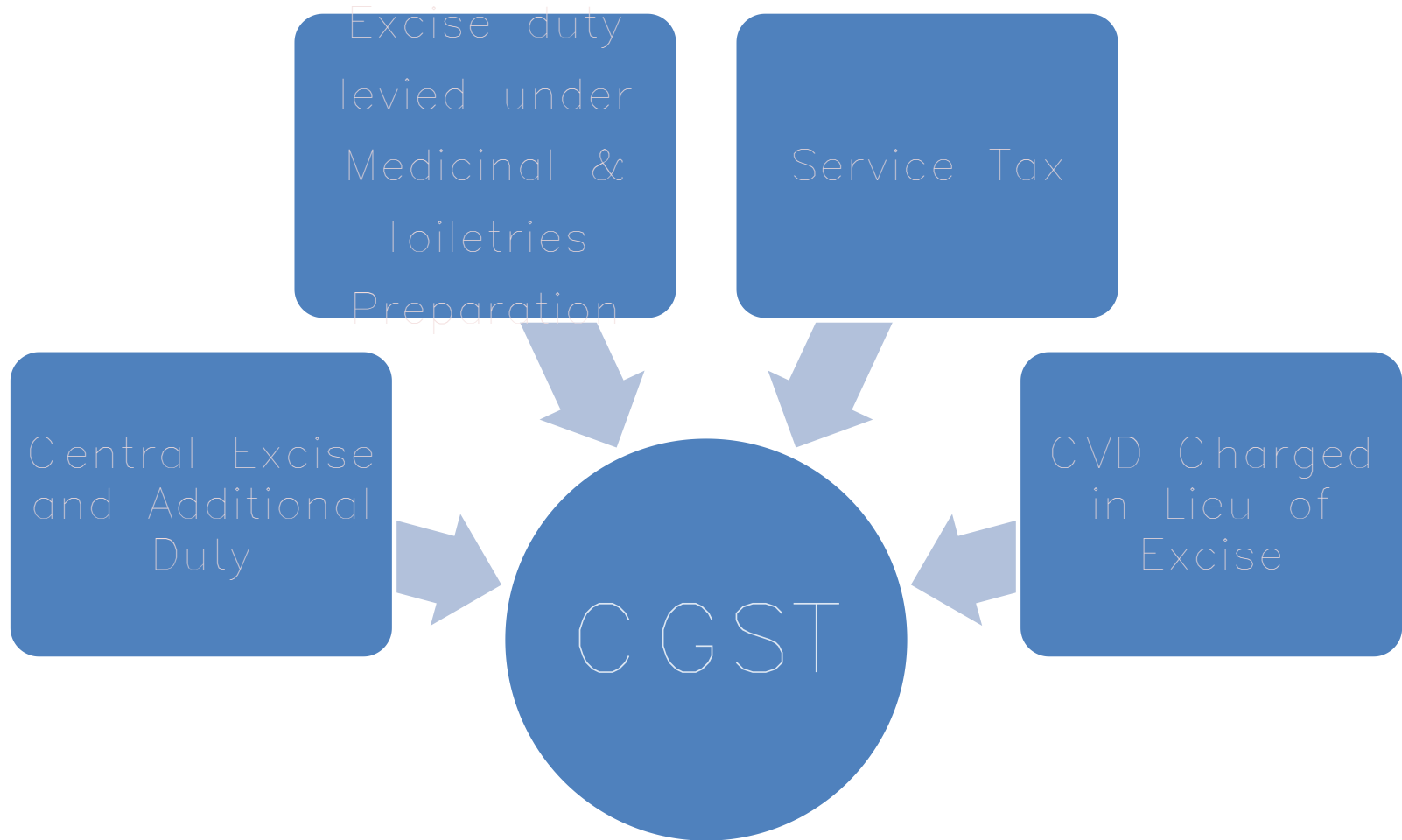
- Tax revenue is meant for State Government and tax rates will be decided by each State.
- The expected rate of SGST is around 9%.

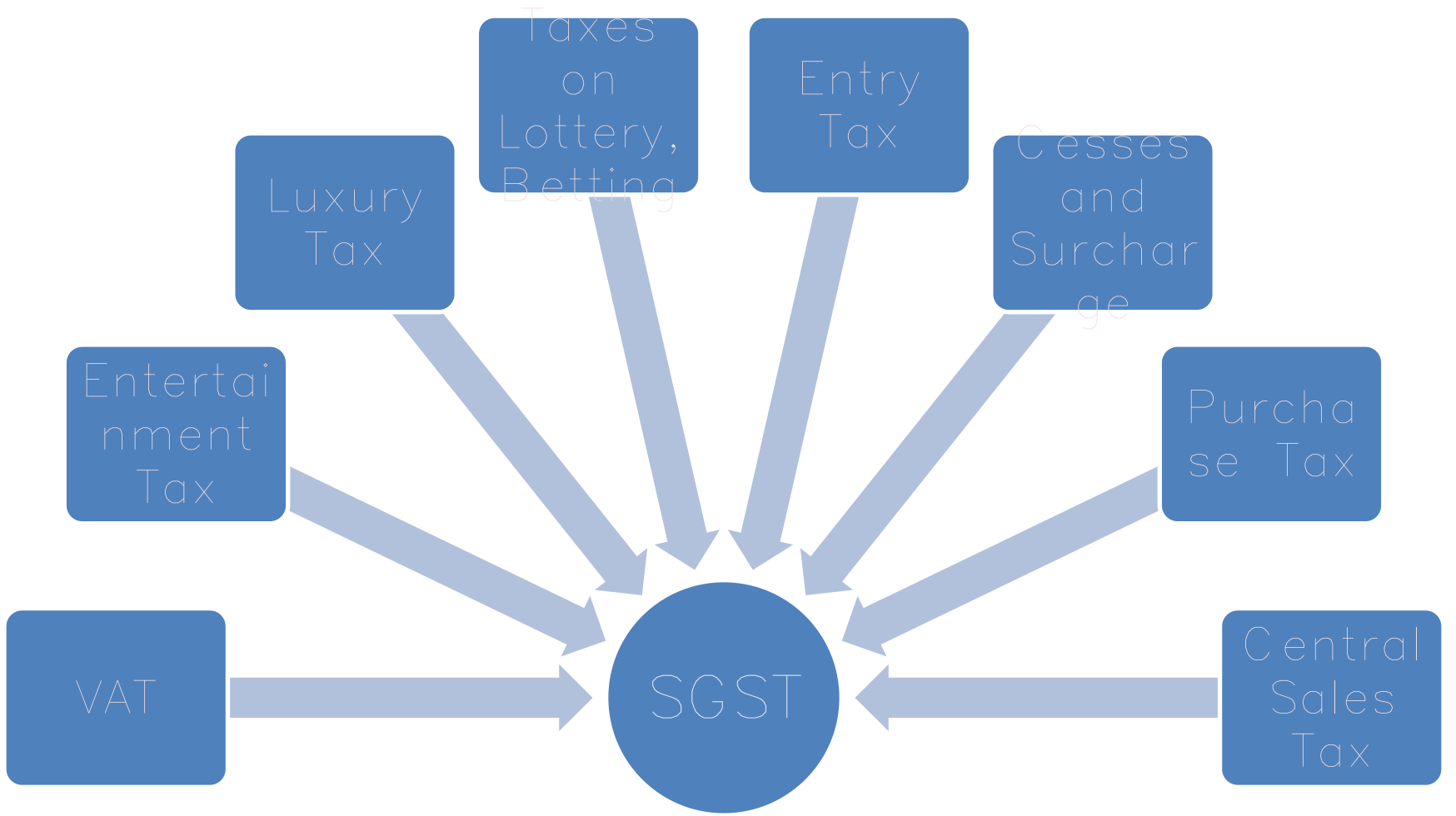
## IGST

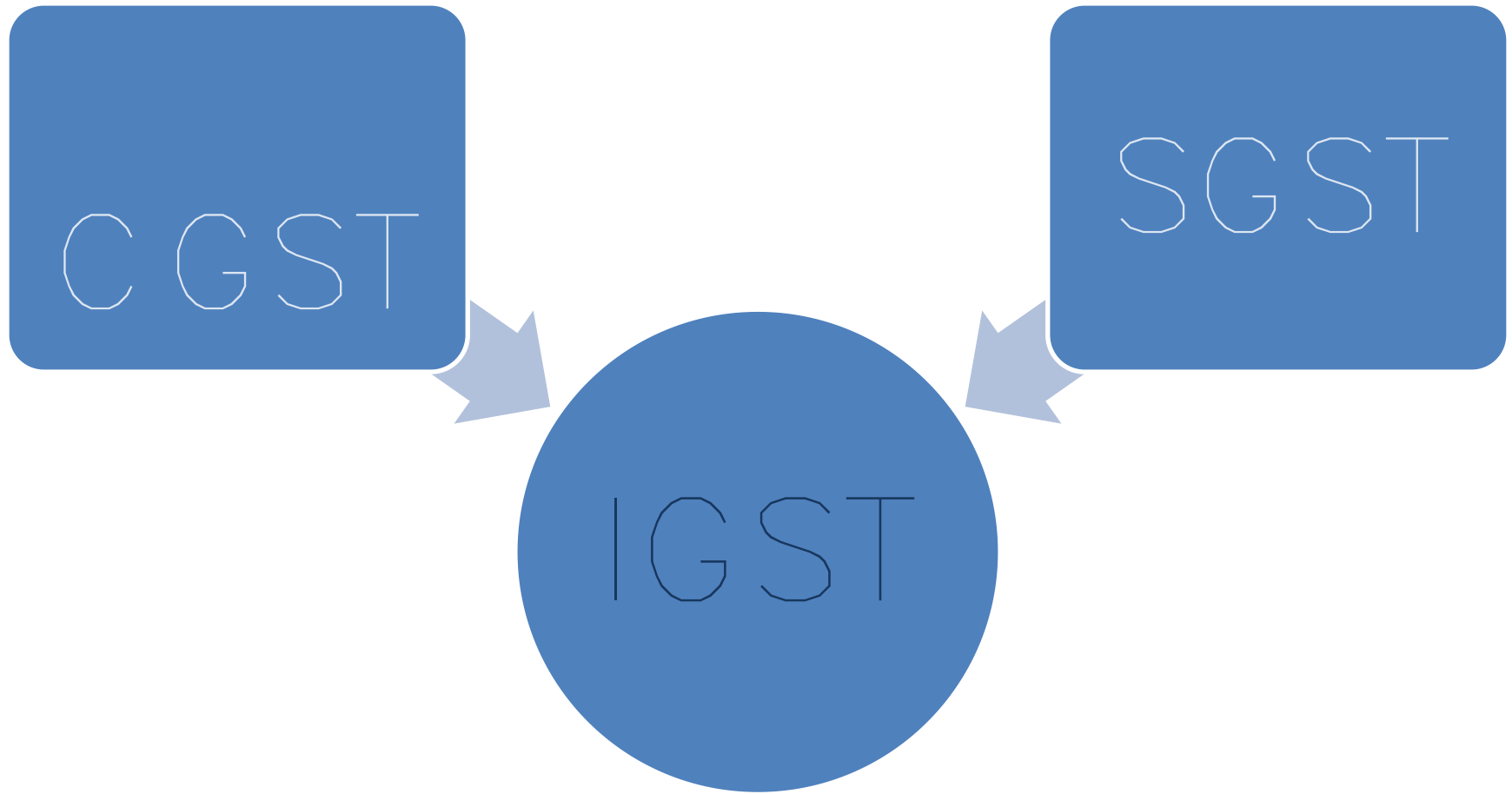
- IGST is charged on interstate movement of G&S.
- Tax revenue is shared by both Central Government and State Government.
- Tax rates will be common all over India.
- The expected rate of IGST is around 18%. Tax on imported goods will continue at a rate equal to IGST. Unlike in the present regime, the States where imported goods are consumed will now gain their share from this IGST paid on imported goods.



# Taxes To Be Subsumed in GST







”The best things in life are free, but sooner or later the government will find a way to tax them.“

When there are two types of GST Central  
GST and State GST  
how can it be called a unified tax?

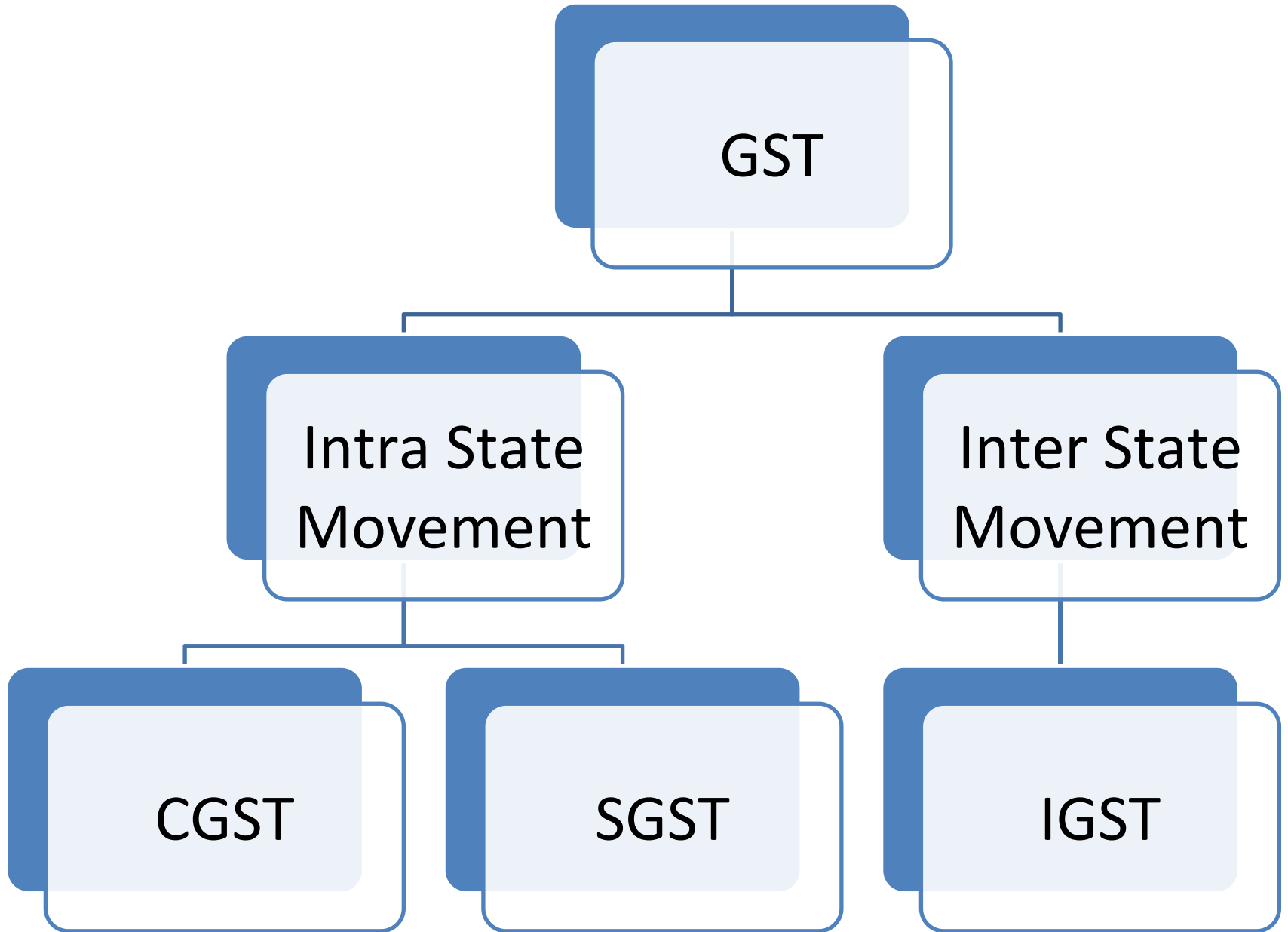
- **Unified Tax does not mean a single tax.**
- **It means a uniform tax rate across the country.**
- **The Central GST, State GST and Inter-State GST, if needed, will be levied concurrently and will be administered by a single body.**

## Inter State Sales

When the sales is made between two states , such is inter state sales .

## Intra State Sales

When the sales is made within the state such is intra state sales .



# Taxable event, general meaning

Any event or transaction

results in a tax consequence for the party who executes the event.

**Taxable Event**

# Chargeability of GST

CGST

- Chapter III of the CGST/SGST Act, 2017 provides for the levy and collection of CGST and SGST vide section 9 of the Act

IGST

- Chapter III of the IGST Act, 2017 provides for the levy and collection of IGST vide section 5 of the Act.

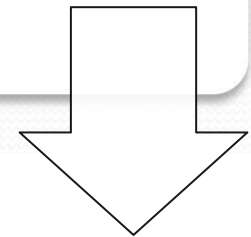
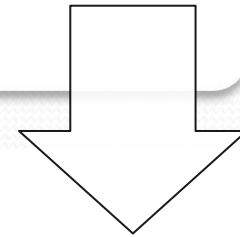


# Taxable event in GST

Supply of

goods/services

Taxable event in GST



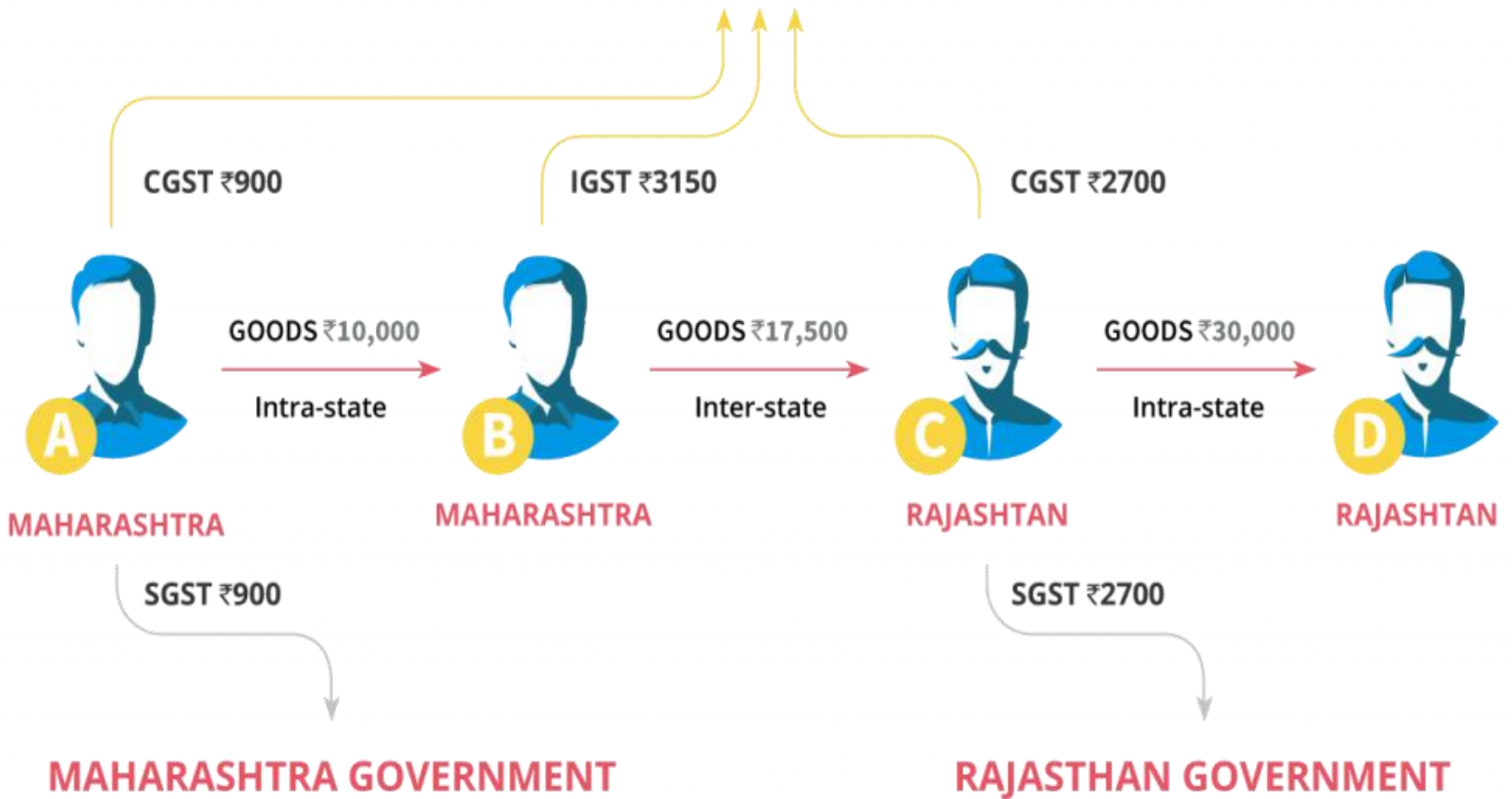
# Taxable event : GST Regime v Existing Regime

GST	Service Tax	VAT	Excise	Custom
Supply of goods/ Service  (Sec 12 of CGST Act)	(a) Service provided or agreed to be provided Or (b) Receipt of payment Earlier of above  (Sec 66B of Finance Act,1994)	Sale of Goods in the course of intra-state trade  (As per provisions given in state vat act)	Manufacture or production of goods in India  (Sec 3 of Central Excise Act,1944)	Goods imported into or exported from, India.  (Section 12 of Customs Act, 1962)

## Order of using credit – Sec 49(5)



# CENTRE



When CGST , SGST and IGST is levied ?

The GST to be levied by the Centre on intra-State supply of goods and/or services is Central GST (CGST) and that by the States is State GST (SGST).

On inter-state supply of goods and services, Integrated GST (IGST) will be collected by Centre. IGST will also apply on imports.

# Applicability of Sec 1

Section 1 applies to

1. Whole of **India** except Jammu and Kashmir .

Where “India” means

- The territory of India
- Its territorial waters, seabed and sub-soil underlying such waters.
- Continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and
- The air space above its territory and territorial waters.

Sec 2(52) defines "Goods" means every kind of movable property

Other than

- (a) Money
- (b) Securities

Includes

1. Actionable claim
2. Growing crops
3. Grass
4. Things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Taxable person – Sec  
2(107)



Person who is  
registered or liable to  
be registered  
**under section 22 or  
section 24;**



Sec 2(17) Defines -Business

Includes any

①

Trade

Commerce

Manufacture

Profession

Vocation

Adventure

Wager

Or any other similar activity

②

Provision by club or society for benefits of its members

③

Supply or acquisition of goods etc.

# Sec 2(102) defines, Services

Other than

- (a) Money
- (b) Securities
- (c) Goods

Includes

Activities relating to ,

1. The use of money or its conversion by cash
2. Or by any other mode, from one form, currency or denomination, to another form.

✿ “Currency or denomination for which a separate consideration is charged “.

# Prior GST

“Give me some sunshine,  
Give me some rain,  
Give me another chance ,  
I wanna pay VAT once again  
“



Lets tell the Govt we  
need more time for  
GST implementation .



**GST is the last  
chance !!**

**(Proposed )**

**Appointed Date :01 July'2017**

# Meaning of supply as per CGST (Sec 7)

(a)

- *all forms of supply of goods or services made or agreed to be made for a consideration.*

(b)

- *import of services for a consideration whether or not in the course of business.*


(c)

- *the activities specified in Schedule I, made or agreed to be made without a consideration; and*

(d)

- *the activities to be treated as supply of goods or supply of services as referred to in Schedule II*

# Sch – I As Supply, made without Consideration.

- Permanent Transfer of business where ITC has been availed.(Eg : Furniture Disposal)
- Supply of Goods/Services or both between related/distinct persons as specified under sec 25,when made in the course or furtherance of business.
- (Eg : CA Office, Mutiple Reg in different states)
- Supply of Goods – Principal  Agent, eg.
- Import of Services – Related or Other Establishment.

# Sch – III Activities which are not Supply of Goods Nor Services

- Services by employee to employer in course of employment.
- Services by any Court or Tribunal under any law in force.
- Functions performed by MP,MLA, Members of Corporation, Panchayat and others.
- Services of funeral, burial or mortuary incl transportation of the deceased.
- Sale of Land, subject to Sch –II.
- Actionable Claims other than lottery, betting and gambling.

# Meaning of supply as per CGST (Special rules)

- The Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as

(a)

- *a supply of goods and not as a supply of services; or.*

(b)

- *a supply of services and not as a supply of goods.*



Exclusions from supply : neither treated as a supply of goods nor a supply of services.

(i) activities or transactions specified in Schedule III

(ii) activities or transactions undertaken by the Central Government, a State Government or any local authority, as notified by government.

# Value of Taxable supply

The value of a supply of goods or services or both

Shall be



**TRANSACTION VALUE**

# Transaction Value

IS

The price actually paid or payable

Supplier

①

Where



Not related



Receiver

②



Price is the sole consideration

# Inclusion in value of supply Sec 15(2)

(a)

- any **taxes, duties, cesses, fees** and **charges** levied under any law for the time being in force

(b)

- any amount that the supplier is liable to pay for such supply -- been incurred by the recipient of the supply and not included in the price.

(c)

- incidental expenses, including commission and packing, and any amount charged for anything done by the supplier at the time of, or before delivery of goods or supply of services

# Inclusion in value of supply

(d)

- Interest or late fee or penalty for delayed payment of any consideration for any supply; and

(e)

- Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments

- The amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy

# Exclusion from value of supply Sec 15(3)

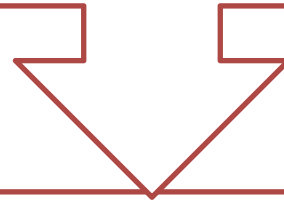
Discount : (a) *before* or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) *after the supply has been effected, if*, (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and

(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply

# *Value of supply : Special Rules*

Where the value of the supply of goods or services or both cannot be determined the same shall be determined in such manner as may be prescribed. Sec 13(4)



Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed. Sec 13(5)

# Composite supply (Sec 8 of CGST Act)

## Composite Supply

- a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply;

## Example

- Booking train tickets: You are booking train ticket which includes meal. It is a bundle of supplies. You will not buy just the train meal and not the train ticket. The transportation of passenger is, therefore, the principal supply



# Mixed supply (Sec 8 of CGST Act)

## Mixed Supply

- a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax

## Example

- A supply of a package consisting of canned foods, cakes & aerated drink. when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other.

# Factors Determining Composite or Mixed Supply:

Description	Composite Supply	Mixed Supply
Naturally Bundled	Yes	No
Supplied Together	Yes	Yes
Can be Supplied Together	No	Yes
Predominant Supply	Yes	No
Is other Supply An Aim	Yes	No
		Source : BGM,ICAI

# Levy & Collection (Sec 9 of CGST)

- It is a well established that “no tax can be collected without the authority of law”.
- Sec 9 of CGST Act, empowers government to levy & collect tax called the central goods & service tax.

# Levy & Collection (Sec 9 of CGST)

(1)

- Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined u/s15 and at such rates, not exceeding twenty per cent

(2)

- The central tax on the supply of **petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel** shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council

# Levy & Collection (Sec 9 of CGST)

(3)

- The Government by notification & consent of Council, **specify categories of supply of goods or services or both**, the **tax** on which shall be **paid on reverse charge basis** by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

(4)

- The central tax **in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient** and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

# Levy & Collection (Sec 9 of CGST)

(5)

- The Government by notification, specify categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.
- E-Commerce Operator not have physical presence- FB.
- Appoint a Authorised person to pay tax.

## *Sec. 10 : Composition Levy*

Composition Levy is a scheme where a eligible person may opt to pay in lieu of tax payable by him, an amount calculated at rates prescribed.

## Composition Levy

A registered  
person



Turnover in last  
FY < 50 Lac



May opt for  
composition levy  
scheme



# Amount of tax payable

1 % of  
Turnover

- In case of Manufacturer

2.5 % of  
turnover

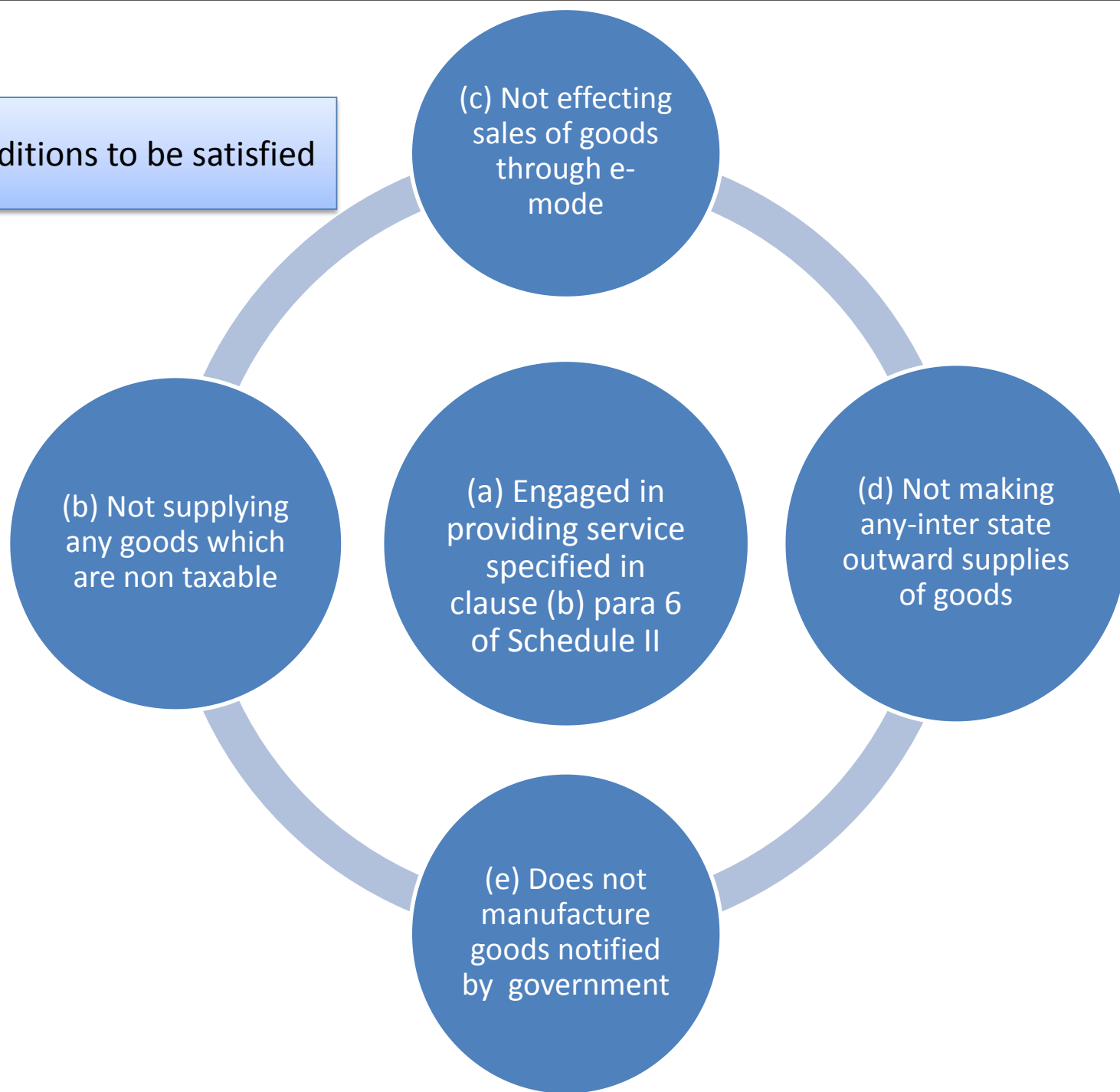
- In case of service providers referred in clause (b) of para 6 of Schedule II

0.5 %

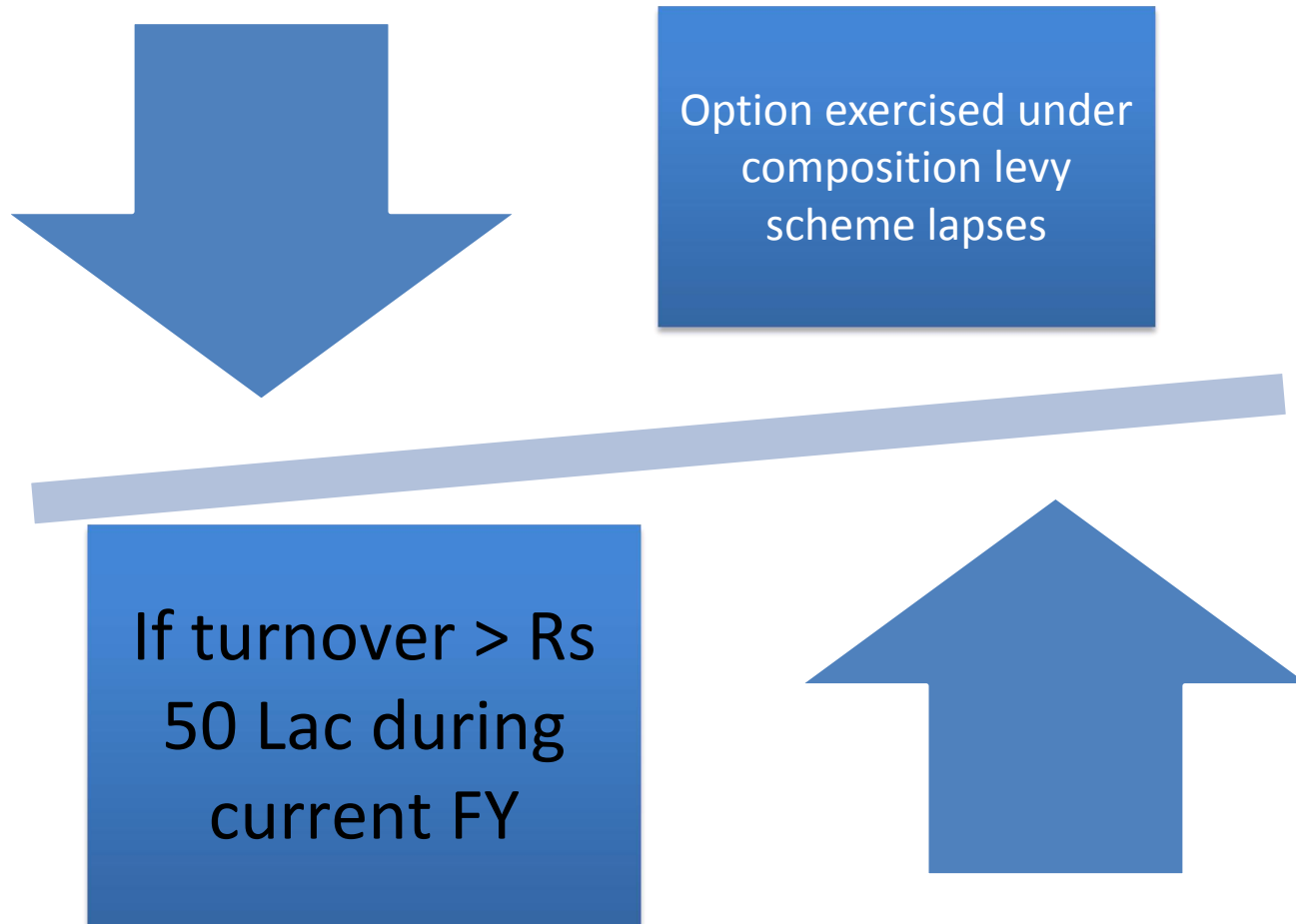
- In case of other service providers

Specified service suppliers => any service in relation to food or any article for human consumption or any drink (other than liquor)

Conditions to be satisfied



# Lapse of option exercised



- 
- Person opted for composition scheme are :

(a)

- Not entitled to collect any tax from recipient of service

(b)

- Not claim any input tax credit

## Misuse of composition levy scheme

proper officer  
has reasons to  
believe of  
misuse

Person is liable  
to pay  
additional tax  
that was  
payable by him

And impose  
penalty.





**thank  
you!**

**Presented By: CA Sunnay Jariwala**